



STATE OF ILLINOIS

## Illinois Commerce Commission

527 EAST CAPITOL AVENUE  
P.O. BOX 19280  
SPRINGFIELD, ILLINOIS 62794-9280

December 31, 1986

Illinois American Water Company  
Mr. R. W. Greaves  
8080 State Street  
East St. Louis, Illinois 62202

Dear Utility,

As you know, the Tax Reform Act of 1986 will have a major impact on utilities and telecommunication carriers. The Commission is currently studying the implications of this tax legislation on the utility industry.

In order to implement the ratemaking effects of the new tax law on a timely basis, we are requesting that your company file with the Chief Clerk's Office, one rider effective for all tariffs. The rider will state the percentage by which all utility rates must be reduced to reflect the use of a 40% tax rate as prescribed for 1987 by the Tax Reform Act of 1986. The percentage will be calculated based on your company's most recent rate order. We have attached a sample rider to be used by all companies as the basis for their filing.

Filings should include detailed workpapers which provide explanations, computations, and other documentation as appropriate. Tariffs should be filed with the Chief Clerk no later than 5:00 P.M. 30 days after the date above.

The percentage reduction contained in the tariff will be applied to all utility billings. That amount will be accrued in a deferred credit account (Acct. 253 for Water, Gas, and Electric and Acct. 174 for Telephone) with an offsetting debit to revenue. The deferred credit account will continue to accrue until a final determination is made regarding your company's current financial position.

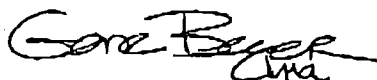
If the Commission determines that current earnings when adjusted to reflect all aspects of the new tax law are excessive, refunds will then be made to customers from the deferred credit account. Such refunds will continue until the account is

exhausted or until it has been reduced adequately to reflect the Commission's determination regarding the company's overall financial position. The utility will then file new tariffs which reflect the company's current financial position. Any amounts remaining in the liability account will be transferred to revenue.

If a tariff is not received within 30 days, the Commission may be forced to immediately reduce your company's rates. By receiving your cooperation the Commission will be better able to analyze your company's current financial position before any actual change in rates is made.

We realize this is a large undertaking and we need your assistance to carry it out in an equitable and timely manner. If you should have any questions, please contact Thomas Q. Smith at (217) 785-1121.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Gene Beyer" with a stylized flourish underneath.

Gene Beyer  
Chief Accountant  
Rate Review Department  
Public Utilities Division



STATE OF ILLINOIS  
**Illinois Commerce Commission**  
337 EAST CAPITOL AVENUE  
S.O. BOX 1328  
SPRINGFIELD, ILLINOIS 62702-1328

December 11, 1987

Re: 87-0607

Dear Sir/Madam:

Enclosed herewith is certified copy of order entered by the Commission.

Kindly acknowledge receipt.

Very truly yours,

A handwritten signature in cursive script, reading "Rose M. Claggett".

Rose M. Claggett  
Chief Clerk

alb

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
Special Permission for Tariff	:	87-0687
Filings Concerning the Tax	:	
Reform Act of 1986	:	

ORDER

By the Commission:

On October 22, 1986, the President signed the Tax Reform Act of 1986 into law (P.L. 99-514). The Act brought about major changes in federal income tax law, including a reduction in corporate tax rates to 34%.

The Commission has initiated formal proceedings to investigate the Act's impacts on the rates of all Illinois public utilities and noncompetitive telecommunications carriers. These investigations will take time, however. It is therefore necessary to create a mechanism whereby the Commission can take the time necessary to conduct its investigations without sacrificing the ability to capture for ratepayers the benefits of the corporate tax reduction accruing during the period in which investigations are being conducted.

Toward that end, the Commission's staff has requested that public utilities and noncompetitive telecommunications carriers file tariffs in the form shown in the appendices to this Order, to take effect January 1, 1988. Under the tariffs, each company will establish a percentage of revenues which will be accrued in a "revenue subject to refund" account and from which refunds to ratepayers can ultimately be granted if it is determined that a rate reduction is warranted.

No such tariff filed in the remainder of calendar 1987 could take effect on January 1, 1988 unless the Commission otherwise orders under Section 9-201(a) of The Public Utilities Act (Ill. Rev. Stat. 1985, ch. 111 2/3, par. 9-201(a)). Based on a staff report filed with the Commission, dated December 8, 1987, the Commission finds that good cause exists for allowing such tariffs to take effect on less than 45 days' notice.

IT IS THEREFORE ORDERED that tariff sheets substantially in the form of Appendix A to this Order, which reflect a percentage amount calculated in accordance with the procedure set forth in the first paragraph under the heading "Terms" in the Appendix

87-0687

shall, if filed by any public utility or noncompetitive telecommunications carrier other than those set forth in the following ordering paragraph on or before December 23, 1987, become effective January 1, 1988.

IT IS FURTHER ORDERED that tariff sheets substantially in the form of Appendix B, which reflect a percentage amount calculated in accordance with the procedure set forth in the first paragraph under the heading "Terms" in the Appendix shall, if filed by Central Illinois Public Service Company (as to electric rates only), Commonwealth Edison Company, Illinois Consolidated Telephone Company, Illinois Power Company (as to gas rates only), Lincoln Water Company, Peoples Gas Light and Coke Company and North Shore Gas Company, on or before December 23, 1987, become effective January 1, 1988.

This Order does not waive any of the requirements of the Commission's published rules relative to the construction and filing of tariff publications, nor any of the provisions of The Public Utilities Act except as stated herein.

By order of the Commission this 9th day of December, 1987.

(SIGNED) MARY B. BUSHNELL

Chairman

(S E A L)

87-0687

APPENDIX A  
December 9, 1987

Company Electricity  
and Gas

Ill. C. C. No. 2  
First Revised Supplement No. 1  
cancelling Original Supplement  
No. 1

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RIDER XX  
GENERAL RATE REDUCTION FOR  
CONSIDERATION OF TAX REFORM ACT OF 1986

Purpose of Rider

The purpose of this Rider is to implement the ratemaking effect of the reduction in the maximum corporate tax rate to 34%.

Terms

Effective January 1, 1988, the Company will accrue in "revenue accounts subject to refund" an amount calculated using the percentage of revenues which represents the difference between revenues billed under rates then in effect pursuant to the Company's most recent order, and revenues that would have been billed had the Federal income tax component of cost of service been based on a statutory rate of 34%, as provided by the Tax Reform Act of 1986. The percentage of this company is \_\_\_\_%.

The rider will apply to all tariffs and will remain in effect until the Commission has made a review of the impact of the Tax Reform Act of 1986 on the Company's cost of service. Upon completion of the formal review, the Commission will determine how the Company's rates should reflect this impact, and enter an order accordingly.

At such time as the review is complete, if it is determined that a rate decrease is proper, any excessive collections in the "revenue accounts subject to refund" shall be refundable to customers along with interest calculated at the rate being used for interest paid on customer deposits. Any balance remaining in the account will be transferred to the Company's regular operating revenue accounts.

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Issued

Effective January 1, 1988

87-0687

APPENDIX B  
December 9, 1987

Company Electricity  
and Gas

Ill. C. C. No. 2  
First Revised Supplement No. 1  
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The rider will apply to all tariffs and will remain in effect until the Commission has made a review of the impact of the Tax Reform Act of 1986 on the Company's cost of service. Upon completion of the formal review, the Commission will determine how the Company's rates should reflect this impact, and enter an order accordingly.

At such time as the review is complete, if it is determined that a rate decrease is proper, any excessive collections in the "revenue accounts subject to refund" shall be refundable to customers along with interest calculated at the rate being used for interest paid on customer deposits. Any balance remaining in the account will be transferred to the Company's regular operating revenue accounts.

Funds accrued in liability accounts in accordance with the tax tariff rider during 1987 will be transferred to "revenue accounts subject to refund." These funds will remain subject to potential refund until the Commission makes a final decision.

Issued

Effective January 1, 1988

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

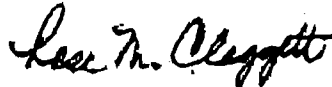
CERTIFICATE

Re: 87-0687

I, ROSE M. CLAGGETT, do hereby certify that I am Chief Clerk of the Illinois Commerce Commission of the State of Illinois and keeper of the records and seal of said Commission with respect to all matters except those governed by Chapters 18a and 18c of The Illinois Vehicle Code.

I further certify that the above and foregoing is a true, correct and complete copy of order made and entered of record by said Commission on December 9, 1987.

Given under my hand and seal of said Illinois Commerce Commission at Springfield, Illinois, on December 11, 1987.

  
Chief Clerk